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British Gas response on 'Preventing Erroneous Transfers' and 'Enforcing Three Week Switching'

British Gas strongly supports any initiative to decrease the instances of erroneous transfers (ETs) and the detrimental impact they have on the customer experience of switching supplier. We recognise that the industry figures for ETs are small but still higher than they ideally should be and support Ofgem's aims of reducing the number of ETs across the supplier community.

British Gas also recognises that three week switching is now achievable for the majority of customers for both fuels. We recognise the importance of meeting our licence requirements in this respect and the consumer benefit of having a fixed timescale for when customers can expect to change supplier.

We support the objectives of these licence changes but would like to take this opportunity to express our concern that a coherent interpretation of the current switching process has not yet been forthcoming. Given this uncertainty and the fact that this proposed three week switching licence condition and legislative changes to the cooling off period are due to come in at the same time (summer 2014), we are concerned that these two changes may result in inconsistent, or even conflicting, supplier requirements.

This is an area where we believe it is critical to have regulatory certainty, to allow Ofgem to measure compliance correctly, to enable suppliers to be confident that they are building their switching processes to the correct parameters and for managing customer expectations around the time it takes to change supplier.

In the sections below, we approach each proposed licence amendment in turn and provide our views on the suggested wording and the aims of each licence condition. This response covers British Gas' view on both the preventing erroneous transfers and enforcing three week switching proposed licence changes. It is a non-confidential response and may be published on the Ofgem website.

We have also included a third section titled 'clarifications' which explores other parts of the supplier licence condition 14A and requests clarification on some of the clauses contained within. We have raised these points at this juncture because if they should result in a need to amend the licence then this would be an opportune time to make these changes as other amendments are being made to the same licence condition.

Preventing Erroneous Transfers

It is British Gas policy to only commence a customer transfer once there is a contract in place. This requirement applies across our domestic, non-domestic and new connections business units. Therefore we consider that this licence change will have minimal impact on British Gas.

We are unaware of other suppliers attempting to transfer customers without agreeing a contract. But if they are then this improper practice must be stopped and further consumer detriment avoided. For this reason, we understand the need for this licence condition and therefore support it.

In answer to the questions posed in the letter:

Question 1: Do you agree with our proposed changes to SLC 14A? Yes

Question 2: Do you agree with the proposed implementation timetable? Yes

We note that Ofgem has provided some clarification for this licence condition and states that ETs caused by customers providing incorrect information and any cancellation received once the registration is underway are not intended to be covered by this proposed licence condition.

We welcome this clarification and recognition that these two instances should not result in a breach of licence as they are outside of the control of the supplier.

Enforcing three week switching

We recognise the importance of ensuring a customer has a smooth and efficient change of supplier process. Yet we also note that research commissioned by Ofgem as part of the change of supplier expert group (COSEG) has shown that the time it takes to effect a change of supplier is not seen as a priority for the majority of customers.

Now that the changes to the UNC have been made to enable three week switching for gas, we recognise that all suppliers should now be able to switch customers within three weeks, post-cooling off period. However we note that the Department for Business, Innovation and Skills (BIS) has now transposed the European Consumer Rights Directive into legislation through the Consumer Contracts (Information, Cancellation and Additional Charges) Regulations 2013 (the "Cool off Regulations"), and that these Regulations place new requirements upon suppliers regarding the cooling off period that must be offered to customers.

Clarity on the interplay between the current drafting of licence condition 14A with the new Cool off Regulations has not yet been forthcoming. We would like clarity from Ofgem, BIS and DECC on the effect of the Cool off Regulations on Ofgem's proposed switching process and what the cooling off requirements will be once these changes are in place.

We have discussed these concerns with Ofgem and BIS, and welcome the proposed workshop on 26 February to explore this issue further. As any change to the current arrangements is likely to result in system change, which requires both time to implement and financial investment, we are keen to gain early visibility and an understanding of these changes.

In answer to the questions posed in the letter:

Question 1: Do you agree with our proposed changes to Standard Licence Condition 14A? Yes, subject to the clarifications on the Cool Off Regulations that we have set out in this letter.

Question 2: Do you agree with proposed implementation timetable? Yes, provided that any Cool Off Regulation clarifications do not result in system changes. If system changes are required then there

will need to be between 6-12 months implementation lead time for suppliers to make the requisite system and process changes.

Clarifications

British Gas has also noted some inconsistencies within the current drafting of supply licence condition 14A that we would like to bring to Ofgem's attention.

The current drafting of condition 14A.3 requires a supplier transfer to be completed 21 days after an objection has been resolved. As the gaining supplier does not receive notice of when an objection has been resolved, it is impossible for the gaining supplier to act on this resolution. Therefore we would suggest that the wording is amended so that the 21 days commences once the supplier retries an acquisition, whether supplier or customer initiated. This would reflect current supplier practice.

Condition 14A.4 refers to a licence exempt supplier and requires the gaining supplier to ensure any objection by the incumbent supplier has been resolved before effecting a transfer. As the relationship between an exempt supplier and its customer is purely contractual, there is no way that a gaining supplier would be made aware if there is an objection outstanding. Some clarity on how suppliers would meet this obligation would be welcomed.

For both of these clarifications we would like some guidance from Ofgem on how suppliers should interpret the current licence drafting.

We would welcome the opportunity to work with Ofgem to address these issues and if you have any questions please feel free to contact me on 07789 575 665 or Tabish.khan@britishgas.co.uk

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